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Chilton's

1989 RETAIL AFTERMARKET

RE
AFTERMARKET

GUIDE

THE ONLY FACTBOOK OF THE RETAIL
AUTOMOTIVE AFTERMARKET EXAMINES:

- THE MARKET
- THE EMPLOYEES
- THE PRODUCTS
- THE CONSUMERS
- THE STORES

U.S. Comprehensive Industry
Four Color

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**PLUS: Comprehensive Industry
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INTRODUCTION

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here is nothing more constant than change.

We thought of that phrase many times as we put together this, our fourth edition of *Automotive Marketing's Retail Aftermarket Guide*. Even in these final days, as we prepare to put this publication "to bed," the aftermarket that we are familiar with has changed from what it was when we started working on this edition just a few months ago.

Here's just one piece of evidence of how much our market has changed since last year, a quote from our February 1989 Market Line story "1988: List Of Megachains Grows, 974 New Stores Are Added:"

"You might call 1988 a year when the big got bigger. Every one of the 12 auto parts chains we call megachains (chains with more than 100 stores) grew in size, either by swallowing up smaller chains, and/or opening new stores. Between June 1987, when we published our first list of the Top 100 retailers, and December 1988, the 12 megachains added 974 stores."

That's a lot of changes.

And while those changes show positive growth for our market, some people still see a downside. Bigger chains mean tougher competition for everyone. Fewer chains mean each one controls more of the distribution channel, and that means a more difficult sales job for suppliers.

Besides, DIYers and the vehicles they work on are changing, too. DIYers are growing older, more affluent, and, some say, less likely to work on their cars. And the cars seem more complicated than ever before, less DIYable, some say.

But others see DIYers pausing, and then gearing up to work on those "cars of the future." Pull-out

and plug-in components are replacing knuckle-busting parts. Perhaps the real change here will just be the amount and kind of dirt that gets under the modern DIYer's fingernails.

We here at *Automotive Marketing* obviously agree with those last thoughts. But we also realize it is not easy keeping an aftermarket business healthy in the midst of all these changes. But then, it never really was, was it?

To help you keep your business strong, we offer this, the *Retail Aftermarket Guide*. It's a "best of" effort on our part, a condensation of what we consider our best and most important advice to you in 1988 and the first quarter of 1989. In addition, we include the most up-to-the-second directories possible—given the whims of a publishing schedule.

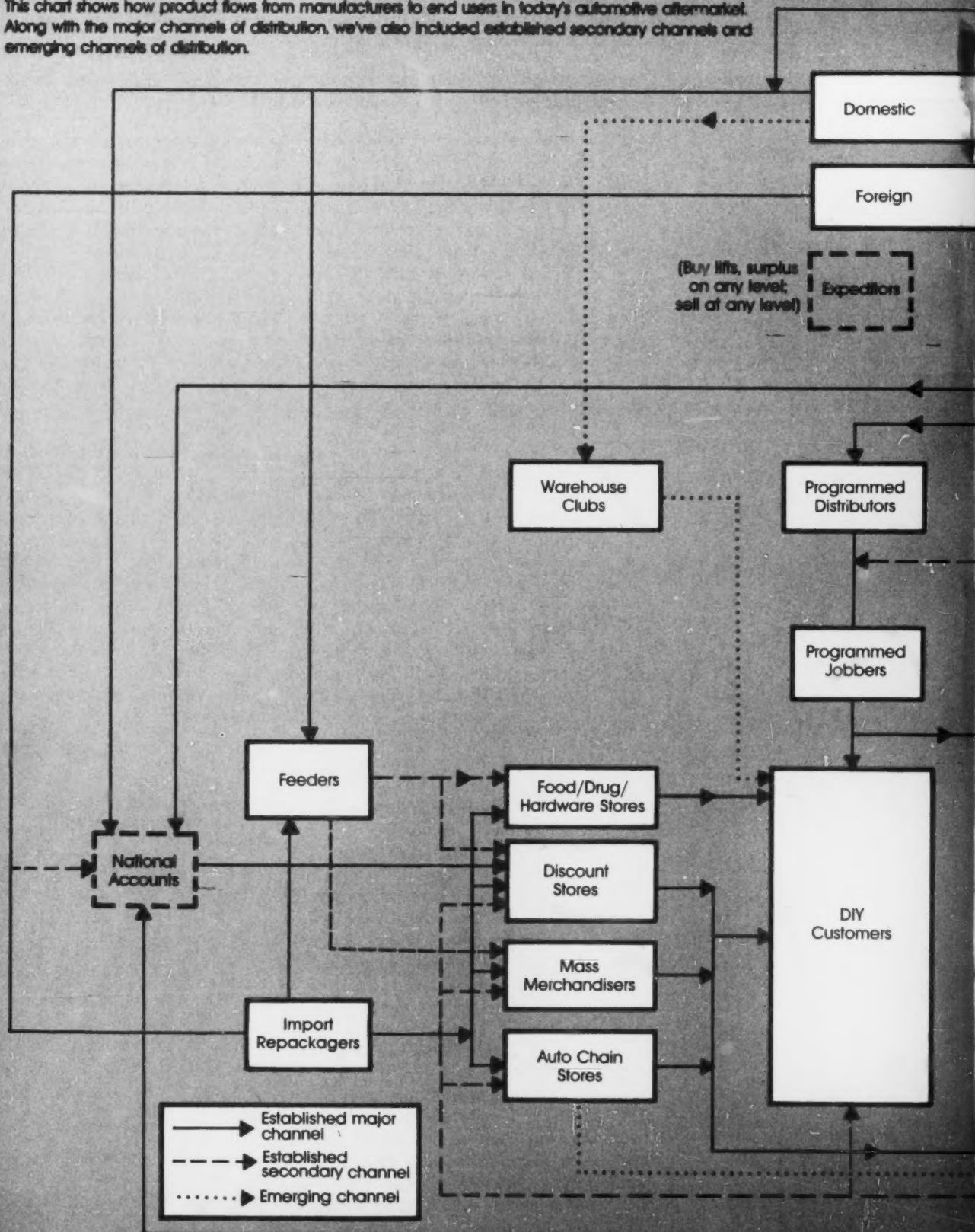
We hope it all helps because no matter how much our market changes, we still believe in it, and in you.

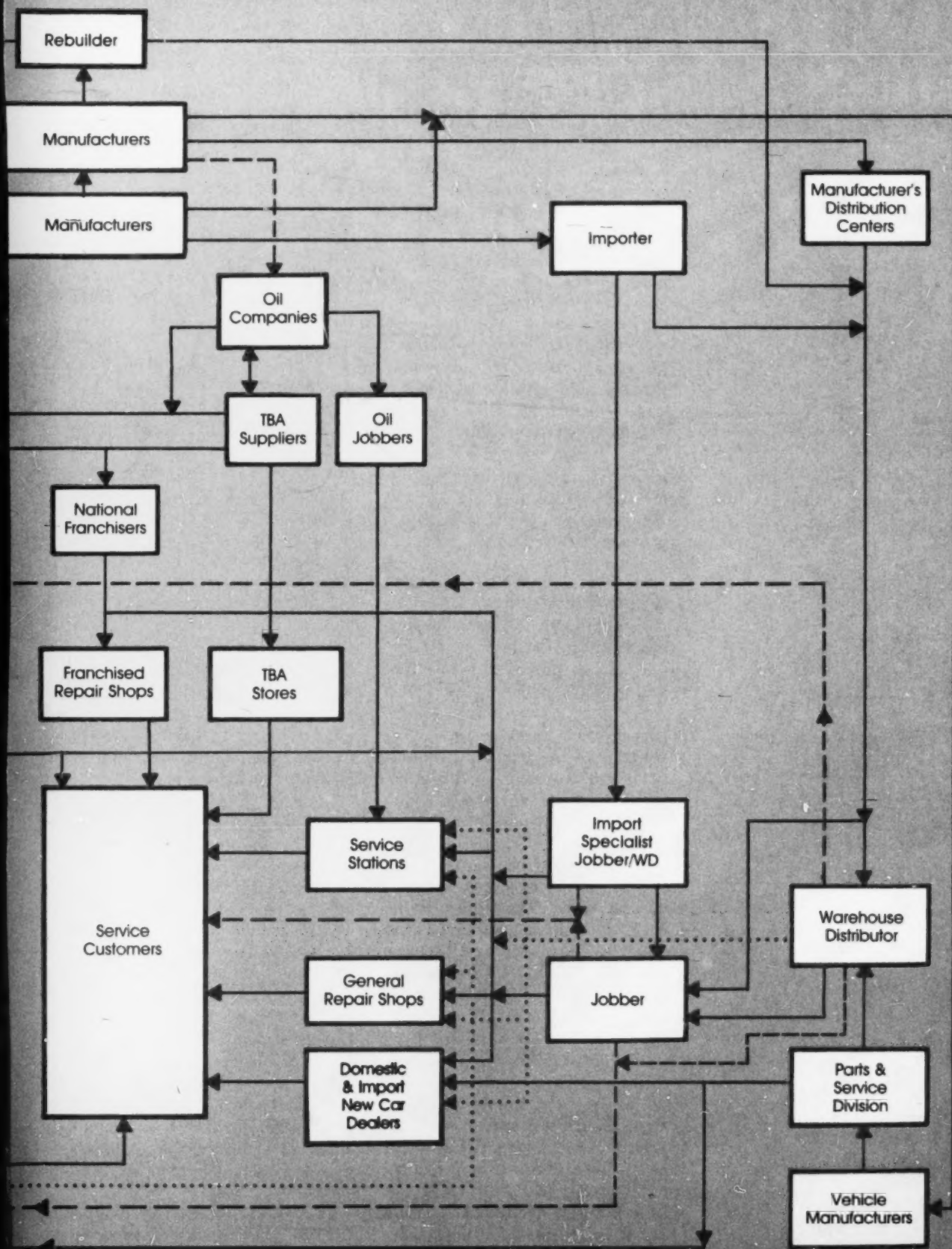


Gail Krueger-Nicholson
Editor, *Automotive Marketing's
Aftermarket Guide*

AFTERMARKET DISTRIBUTION

This chart shows how product flows from manufacturers to end users in today's automotive aftermarket. Along with the major channels of distribution, we've also included established secondary channels and emerging channels of distribution.





THE AFTERMARKET: INTO THE 1990's & BEYOND

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oday's aftermarket breaks down, very roughly, into one-third do-it-yourself (DIY) and two-thirds service segments. The main competitors for the DIY market are retail parts chains, mass merchandisers, and jobber/retailers. Competing for the service market are traditional service outlets, such as gas stations, garages and car dealers, as well as newer service providers such as tire stores, chain store service centers, and the service specialists.

Distribution through and to both segments will change in the 1990s. Here's a quick overview of the changes and what we might expect in years to come.

Questions To Answer

For suppliers, consolidation means fewer potential customers. Today, a supplier is often forced to deal with a megachain, or at least a major chain that controls a large portion of the market. The buying power of the megachains has created an era of distributor-driven retailing. Suppliers are often forced to concede large merchandising allowances.

Competition among the megachains is keen, especially on popular items. The winner is the consumer who can always get a good price. The loser is the small retailer who cannot buy in volume nor buy full ad pages in metropolitan papers. Faced by consolidated chains on one side and hard-working chains like Pep Boys on the other, the little guy is caught in the middle.

One result of this is a growing trend toward WD-owned stores, especially in metropolitan areas where chain stores flourish and jobbers are weakest. In recent years, the number of warehouses owning stores has increased dramatically. Today, there are roughly 3,500

WD-owned jobbing stores. One study found that 43% of WDs own stores. Although some of the WDs may actually be captive or "paper" warehouses (owned by jobbers), an *Automotive Marketing* count of AWDA members turned up 2,017 stores owned by AWDA member warehouses.

Virtually every WD expects the trend toward store ownership to continue. Selling to independents may be the "cleanest way to operate," as one WD put it, but WDs are in a buying mood. The reasons for this are three-fold: first is the failure rate among independent jobbers; secondly, the retail chains continue to expand parts offerings and now offer many parts that previously only jobbers sold; and finally, jobbers are buying less from WDs. A 1987 MEMA jobber study shows that full-line WDs account for only 61% of the average jobber's dollar volume purchases, a 6% drop from 1983. Jobbers are buying more from discount warehouses and direct from manufacturers.

Offers Are Changing

While consolidation will affect how stores are controlled, it seems that retail sales will probably change little in the 1990s. But the DIYers who shop retail stores in the 1990s will change. They will be a little older (by the year 2000 one out of three drivers in the U.S. will be over 55) and a bit more prosperous than the DIYers of today. They will also be more "technology sensitized," too, due to the growth of computer education and familiarity. But they may not be willing to carry those computer skills over to the world of under-the-hood work, at least not right away.

In fact, the biggest change in DIYers in the 1990s will not be so much in who they are, but in the

kinds of auto DIY jobs they do. Those changes will force retailers to re-evaluate the products they sell and how they sell them. A 1986 Delphi forecast released by Dr. David E. Cole, director, Office for the Study of Automotive Transportation, University of Michigan, Ann Arbor, MI, predicts an increase in importance for routine replacement items and fluids in the DIY segment, and for more DIY work with tires, wheels, brakes, and shocks. However, DIY work on traditional ignition systems, non-modular electronics, fuel injection systems, and all engine components may decline.

The Delphi study also gives electronics systems such as computer control modules positive predictions for future DIY activity. DIYers will also get more help from on-board diagnostic systems. Several aftermarket chains already stock and sell replacement computer chips. In the future, retailers will carry more computer goods such as replacement chips while computer software stores will carry aftermarket how-to diagnostic programs.

New Competition

New competition for retailers in the 1990s will come through specialization. For instance, in Corona, CA, Captain Zooms, a chain of stores aimed at the light truck aftermarket, opened in 1987. The light truck market is expanding, and operations like this may prove to be serious competition for retailers. In the performance field, operations like California-based Super Shops already have more than 100 stores. Some performance WDs like the trio of G & M, Capital Heights, MD, Arrow Speed Warehouse, Kansas City, and Competition Specialties, Auburn, WA, have already put together programs like the Performance Corner, a short-line performance program for 800 jobbers and

retail stores. And, as import parts become more important, the import specialist jobber will continue to take a share of the DIY market.

Finally, a number of car dealerships now have programs to sell retail parts to DIYers. All of these competitors will have an impact on the retail market.

There is also the possibility of stronger automotive programs in discount/department stores. Full-line discount and department stores have one clear advantage in attracting customers: they offer a customer the chance to buy everything he needs in one place at one time. This is, and will be, an especially important retailing advantage in the future, as consumers have less shopping time. However, mass merchandisers have had limited success in finding their role in the aftermarket. Their total amount of sales in the automotive field is large, but not as large as for other products they sell. On the average, some 6% of discount stores sales, nationwide, are made in their automotive departments. By way of comparison, that's about half their percentage of sales from women's wear.

Service Bays Are Key

The main result of changing lifestyles may be a larger service market. Many retailers are turning to service. Operations like Pep Boys already get as much as 40% of their sales through service, and chains like Chief and AutoZone are testing service programs.

The reason is simple. Changes in lifestyle favor service operations. Not only is the typical American older, but he wants convenience. High income "DINK" (dual-income, no kids) couples are a key target for service marketers. And, as more women own and maintain their own vehicles, the automotive field is

PROGRAMMED DISTRIBUTORS

The top programmed distributors are:

All-Pro Auto Parts, Andalusia, AL
APA, Mission, KS
Auto Value, Chattanooga, TN
Big A, Houston
Bumper-To-Bumper, New York
Carquest, Tarrytown, NY
Federated Auto Parts, Staunton, VA
NAPA, Atlanta
National Pronto, Springfield, IL
Parts Plus, Memphis, TN

WAREHOUSE DISTRIBUTORS

The top warehouse distributors are:

A.I. Automotive, New York
APS Inc., Houston
Atlantic & Pacific Automotive, Memphis, TN
Cards Corp., Centric, CA
General Parts, Raleigh, NC
Genuine Parts, Atlanta
Parts Inc., Memphis, TN
Republic Automotive Parts, Brentwood, TN
Steege, West Palm Beach, FL
Straus Frank Co., San Antonio, TX

SERVICE SPECIALISTS

The top service specialists are:

AAMCO, Bala Cynwyd, PA
Grease Monkey, Denver
Jiffy Lube, Baltimore
MAACO, King Of Prussia, PA
Meineke Discount Muffler, Charlotte, NC
Midas, Chicago
Mr. Transmission, Nashville, TN
Novus, Minneapolis
Precision Tune Inc., Sterling, VA
Quaker State Mini Lube, Salt Lake City, UT
Speedy Muffler King, Morristown, NJ
Sunshine Polishing Systems, San Diego, CA
Tuff-Kote Dinal, Highland Park, MI
Tuneup Masters, Centric, CA
Ziebart Corp., Troy, MI

THE AFTERMARKET: INTO THE 1990's & BEYOND

AFTERMARKET RETAILERS

The top aftermarket retail chains are:

Action Auto, Flint, MI
ADAP, Avon, MA
Advance Stores Co., Roanoke, VA
Aid Auto, Inwood, NY
AutoZone, Memphis, TN
Big Bear Stores, St. Cloud, MN
Champion Auto Stores, New Hope, MN
Chief Auto Parts, Dallas
Discount Auto Parts Inc., Lakeland, FL
Forest City Auto Parts, Beachwood, OH
Grand Auto, Oakland, CA
Hi-Gear Tire & Auto Supply, Capitol Heights, MD
Hi/Lo Consolidated, Houston
Nationwide Inc., Columbus, OH
Northern Automotive, Phoenix
O'Reilly Automotive (Ozark), Springfield, MO
Pettigrew-Smith Auto Supply, Houston
Quality Stores, North Muskegon, MI
R & S Strauss, Union, NJ
Steego Auto Parts, West Palm Beach, FL
Super Shops, San Bernardino, CA
The Pep Boys, Philadelphia
Trak Auto, Landover, MD
Western Auto, Kansas City
Whitlock Corp., Des Plaines, IL

DISCOUNT/DEPARTMENT CHAINS

The top discount/department chains are:

Arries Department Stores, Rocky Hill, CT
Associated Dry Goods, Norwalk, CT
Dayton-Hudson, Minneapolis
Hills Department Stores, Canton, MA
K mart, Troy, MI
Sears Roebuck, Chicago
Stop & Shop, Braintree, MA
Wal-Mart, Bentonville, AR
Zayre Corp., Framingham, MA

more cognizant of the female customer who may prefer service to DIY.

Changing lifestyles also favor the repair specialist who applies retail merchandising techniques to service work. Time-pressured consumers will take ten minutes for an economical oil change at a quick lube rather than drop off the vehicle for the day at a service station. Female customers are attracted by the clean shops with pleasant waiting rooms.

The repair specialist will change the service market in the 1990s. A good example is the exhaust business. In 1971, exhaust products were the number one line in traditional WD sales. By 1985, exhaust had slipped to number eight. The main reason was the growth of specialty muffler shops. Muffler specialists now have some 47% of the replacement muffler market compared with about 22% in 1975, according to Goerlich, Toledo, OH. Although other specialists such as tune-up shops and quick lubes have much lower shares in their categories, their shares are growing.

Jiffy Lube, Baltimore, which opened over 1,000 shops in less than ten years is a good example of the successful repair specialist. Jiffy has good signage, good locations in predictable neighborhoods, and a well presented story: reliable service, no appointment needed, customer friendly hours, and good pricing.

The repair specialists apply the lessons of retail advertising to repair service. The three largest automotive aftermarket TV advertisers in 1987 were Midas Mufflers, AAMCO Transmissions, and Meineke Mufflers. Not far behind were MAACO, Precision Tune, and Jiffy Lube.

Repair specialists also benefit because with the limited types of repair they sell, their training and SKU needs are drastically reduced.

However, this advantage will be reduced as the specialists branch out into second and third service categories.

Specialists Will Do Well

Repair specialists should do very well in the 1990s, particularly as many of them get into the auto malls springing up around the country. There are about 200 auto malls now, and developers predict as many as 2,000 by 1990. Most malls offer eight to 12 repair services in one location. To the average consumer, the auto mall is a complete automotive facility, offering one-stop service shopping.

The repair specialists are already forcing some long-time discount/department store programs to change the way they do business. In 1988, Sears bought Western Auto and went into extensive testing programs for its automotive operations. Another example is Zayre's, which once operated 125 service centers, but dropped service in July 1987.

Indeed, some mass merchandisers have been considering different ways of offering service and have come up with schemes that closely resemble repair specialists. For example, Wal-Mart and Sears are both testing quick lubes, while Zayre's converted a number of its old service centers to discount tire centers, and Montgomery Ward opened "Auto Express" centers that do tire, battery and other installation work, with a 59-minute service guarantee.

Vehicle dealers are showing renewed service strength. Studies show a 6% increase in work at dealerships in 1987. Although there's little direct evidence of this yet, the extended warranties offered by automakers may give the dealerships all the work they can handle in the 1990s. Import car dealers have al-

ways maintained a high market share for service, close to 40%, compared to half that for domestic dealers, and domestic dealers are looking to profit from their example. Interestingly enough, auto mall developers see the strong possibility of OEMs or dealer groups setting up repair centers in auto malls. The increasing complexity of new vehicles will also work to the dealer's advantage since new repair equipment will become an expensive proposition for service operations.

Add tire store service programs and revived oil company service operations to the impact of the repair specialists and the new vehicle dealer on the service market, and you see a strong challenge to the traditional repair shops. The response to the challenge by WDs will mean a change in the way WDs operate.

WDs Will Change Too

Of all types of parts sellers, traditional WDs have changed the most in the past 20 years, and will probably (note the qualifying word) continue to change the most in the next ten years.

Challenges to WDs' wholesaler customers will mean the bonds between jobber and WD will continue to tighten. Although horizontal consolidations will continue in the traditional market, vertical integration will probably become more important. Parts proliferation and advanced technology will require jobbers to align themselves closer to a WD.

Add to more parts, the cost of training for new technologies and jobbers are faced with serious challenges. WDs simply cannot afford to let their customer base dissipate. So the future traditional market will more closely resemble the retail market where programs are decided at the highest level.

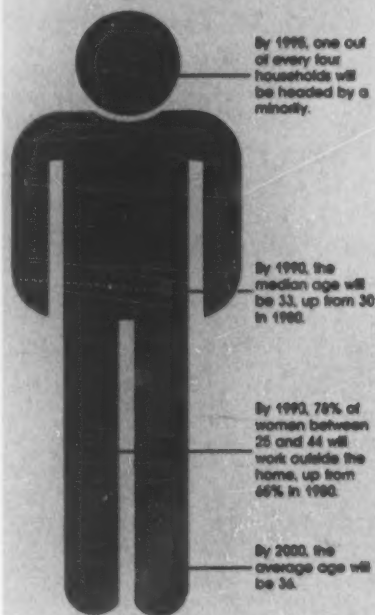
WDs are dealing with the "new" service market in four ways. First, is with an emphasis on reaching the end-user customer, whether the customer is a DIYer or a dealer. Second, is with "master installer" plans that allow jobbers to discount parts to preferred customers. However, as WDs note, jobbers are weak on paperwork and have problems with the administrative tasks involved, and few jobbers are selective enough in choosing customers. Third, is with programs that push programmed distribution one step further to the dealer level. A good example is the NAPA Auto Care Program. The dealer benefits through national advertising and a warranty program, along with training clinics. For the jobber, such a program locks in wholesale customers. The result is a program unified at WD, jobber, and dealer level.

Finally, many WDs are simply bypassing the jobber and selling direct to large repair customers. We expect to see much more of this in the 1990s. Programmed WDs had many problems convincing jobbers to be effective retailers in the 1980s; they don't want the same problem when dealing with a much more important (to them) wholesale market.

This section was written by John Wirebach. For more information, see the following *Automotive Marketing* stories: "Aftermarket Retailing: Into The 1990s & Beyond," January 1988, and "The Future Of The Aftermarket," October 1988.

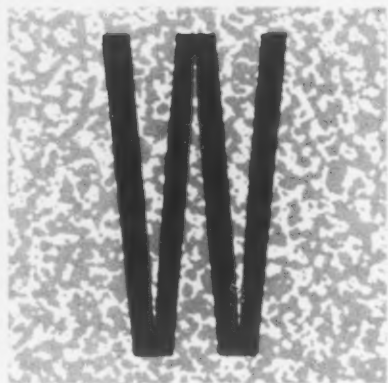
THE CONSUMER OF THE 1990s

The consumer is changing, and those changes will change the aftermarket. Ethnic groups and older people are the fastest growing groups in the country. By 1995, one out of every four households will be headed by a minority. By 1990, the median age will be 33, up from 30 in 1980. Also in 1990, 78% of the women between 25 and 44 will be working women, up from 66% in 1980. By 2000, the average age will reach 36. The lack of time is becoming one of the most important factors affecting businesses.



Source: The sales planning division of Procter & Gamble.

THE PEOPLE WHO SHOP IN YOUR STORE



e're always amazed at the sheer volume of numbers in the literally hundreds of raw data tables that appear in our annual *Consumer Automotive Repair Study (CARS)* report.

The numbers are almost too much to get into text or charts so they can be easily understood and used. Yet, the data is vital for any retailer trying to reach the do-it-yourself (DIY) market.

This year, therefore, we're highlighting what the tables tell us, to let you draw your own conclusions about today's DIYer. As Joe Friday used to say, "Just the facts, ma'am, just the facts." Here, then, are the facts:

General Highlights

- In all, 57.7% of all household vehicle owners who are responsible for the maintenance and care of a vehicle do some sort DIY work. In addition, another 9.0% of people in a household with a vehicle also do some DIY work even though they are not actually responsible for the vehicle.
- Nationally, 63.4% of all DIYers spend between one and five hours monthly on automotive DIY work. Men and women DIYers are roughly equal in this area.
- As expected, DIYers with three or more vehicles spend more time doing automotive DIY work than those with fewer vehicles. Some 37.7% of those with three or more vehicles spend six or more hours per week on DIY work compared to only 18% of those with one or two vehicles.

Asking For Help

We asked DIYers if they asked for help when picking out an automotive aftermarket part, accessory, or chemical product. Here're the highlights of what we found:

- The majority of DIYers, 76.2%,

do not ask for help when they shop for automotive products.

- Only 17.7% of male DIYers ask for help, while 35.4% of female DIYers want help choosing a product.

• Younger DIYers also are more apt to seek professional help than older ones. Of those younger than 25-years-old, 37.9% asked for help, while among all DIYers over 25, only 20.6% asked for help.

• DIYers at all income levels are similar in terms of asking for help, with one interesting exception: 82.3% of DIYers with an annual household income of between \$30,000 and \$40,000 shop for themselves, compared to around 75% of all other DIYers by income level who shop for themselves.

• As may be expected, the more hours DIYers spend on DIY work, the less they ask for help. In all, 81.5% of those who spend six or more hours a month on such work shop for themselves, compared to 69.5% of those who spend one hour or less a month.

• The more cars a DIYer maintains, the less apt is he to ask for help. Of those with three or more cars, 81.4% shop for themselves, while 69.9% of those with one car shop for themselves.

• Of those who have decreased their level of DIY involvement, 77.8% shopped for themselves, while 76.4% of those who have increased their DIY level involvement shopped for themselves—in other words, there is virtually no difference in these groups.

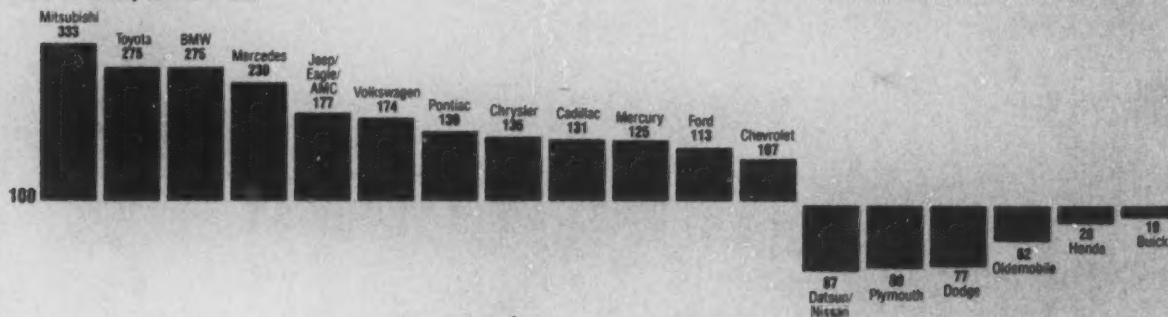
What They Can Do

We asked DIYers what sort of automotive DIY abilities they thought they had. Could they do anything, most jobs, some jobs, or almost no

THE PEOPLE WHO SHOP IN YOUR STORE

THE CARS SERIOUS DIYERS OWN

We asked all DIYers the name of the car that they maintain. Then, we compared the cars owned by serious DIYers—those who put in more than 11 hours each month on DIY work—to the cars owned by all DIYers. In this chart, "all DIYers" is expressed by the number 100 and what follows is an index of the cars most owned by serious DIYers.



* Groups of serious DIYers too small to count includes those owning Urochis, Masadas, and Porsches

jobs? Here is what they said:

- Almost half, 49.2%, of all DIYers put their abilities at only "some jobs."
- Women are less confident of their automotive DIY abilities than men. No women said they could do "any job" and only 11.4% felt they could do "most jobs." The majority of women, 55.3%, said they were able to do only "some jobs" and fully one third felt they could do "almost no jobs". Among men, on the other hand, 46.5% felt they could do "some jobs" and 32.6% could do "most jobs."
- There was virtually no difference by age or income in groups who put themselves into the different ability categories.
- As might be expected, 22.6% of those who spent more than 11 hours a month on DIY thought they could do anything on a car, while only 1.7% of those who spent less than one hour a month did the same. The more DIYers do, the more they think they can do.
- Only 2.6% of DIYers who maintain one vehicle thought they could do anything, while 16.5% of those with three or more vehicles felt that way.

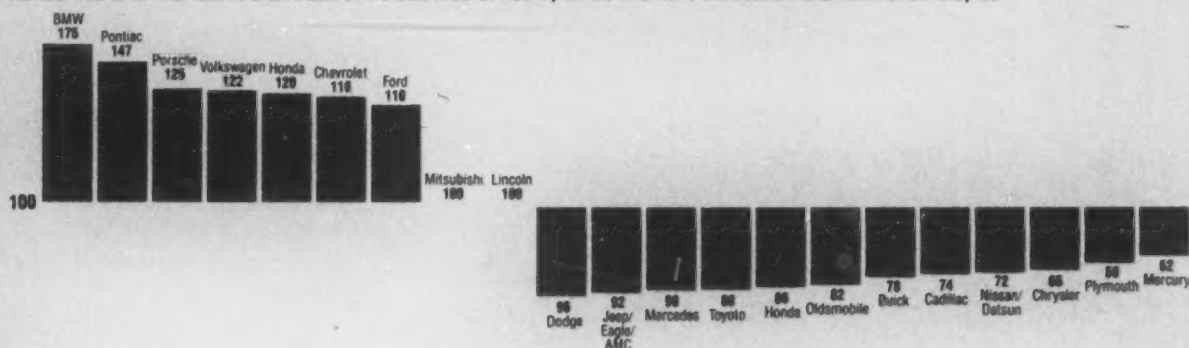
How Much They Like DIY

We asked automotive DIYers how much they enjoyed automotive DIY—a lot, somewhat, not too much, or not at all. Here's what they told us:

- "Somewhat" is what 40.3% of DIYers said, while another 24.5% said "not too much." Among those remaining, attitudes are polarized, with 24.5% enjoying DIY "not too much" and 14.5% "not at all." But, 20.7% enjoy it "a lot."
- Of women, 55.8% said "not too much" or "not at all."
- Of those 45 to 54-years-old, 43.6% said "somewhat," compared to only 33.2% of those who said "somewhat" who were less than 25-years-old. DIYers aged between 25 and 44 enjoyed DIY about in the same percentages as those who were 45 to 54. On the other hand, 28.7% of those under 25 said they liked it a lot, compared to only 20.1% of those in the 45-54 age bracket who said the same thing.
- It should be no surprise that 46.9% of those who spent 11 or more hours a month on DIY like it a lot, compared to only 11.1% of those who spend one or less hours a month on it.

CARS OWNED BY DIYERS WHO HAVE INCREASED THE AMOUNT OF DIY WORK THEY DO

We compared the makes of cars owned by DIYers who said they increased their DIY activity to all DIYers. In this chart, "all DIYers" is expressed by the number 100 and what follows is an index of the cars most owned by DIYers who have increased the amount of DIY they do



- The more vehicles a DIYer is responsible for, the more he or she enjoys the work. Only 15% of those responsible for one vehicle like it "a lot," compared with 33.9% of those responsible for three or more vehicles.

DIY Involvement

We asked automotive DIYers if, over the past five years, the level of their involvement in automotive DIY has increased, decreased, or stayed the same. They told us:

- Almost half, 46.7%, are doing just as much now as they did five years ago, no more, no less. On top of that, 33.4% have actually increased the amount of DIY work they do.
- Among women DIYers, 43.0% are doing more now than they did five years ago, compared to only 29.2% of all male DIYers.
- Of those making more than \$40,000 annually, 30.8% are doing less DIY work than they did five years ago, while only 15.2% of those making less than \$20,000 annually are doing less DIY.
- Among those who put in one or fewer hours monthly on DIY, 64.0% haven't changed the level of their DIY involvement. However,

only 19.6% of those who put in 11 or more hours monthly haven't changed—67.4% of this group has increased their DIY level.

Vehicles They Maintain

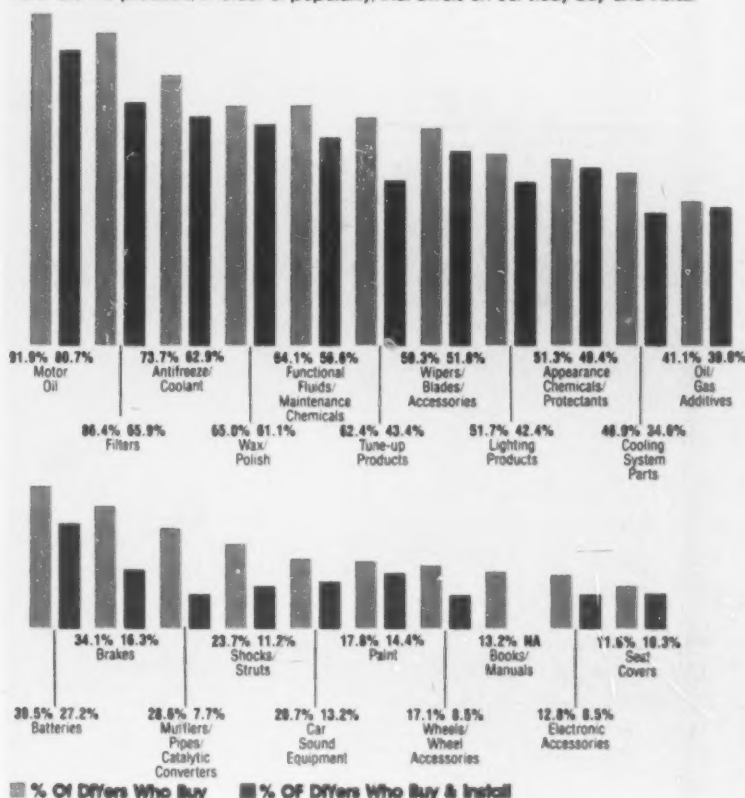
This year, we concentrated on the vehicles DIYers maintain. According to what they said:

- In all, 94.2% of DIYers maintain a car. This general percentage, give or take a few points, was true for all specific demographic types questioned.
- Among all DIYers, 31.1% maintained a light truck. Of all male DIYers, 38.7% maintained a light truck, while only 13.6% of women DIYers were light truck maintainers. Of those DIYers maintaining three or more vehicles, 64.3% maintained a light truck.
- Of all DIYers, 9.3% were responsible for a van's maintenance. The largest single group of DIYers who maintained vans were those with three or more vehicles: 25.1% of them maintained a van.
- Among DIYers, 4.4% were responsible for maintaining a utility vehicle. The largest groups of utility vehicle maintainers were aged 45-54, 9.9%, making more than

THE PEOPLE WHO SHOP IN YOUR STORE

WHAT DIYERS BUY AND INSTALL

Here are the products, in order of popularity, that DIYers on our study buy and install.



\$30,000 annually, 15.5%, and owning three or more vehicles, 13.8%.

Detailed Vehicle Data

We asked specifics about the vehicles DIYers maintain. DIYers told us:

- General Motors' cars were owned by 44.8% of all DIYers.
- Ford Motor Co. cars were owned by 20.3% of all DIYers.
- Chrysler (including Jeep/Eagle/AMC) cars were owned by 13.1% of all DIYers.
- Toyotas were owned by 5.1% of all DIYers.
- Nissans/Datsuns were owned by 3.9% of all DIYers.
- Higher priced European cars, including Mercedes, Audis, Porches, Volvos, and BMWs, were owned by 3% of all DIYers.
- In all, 51% of all cars DIYers maintain are 1982 or pre-1982 model years. Interestingly, according to the Motor Vehicle Manufacturers Association (MVMA), 61.8% of all cars registered are 1982 or pre-1982 models.
- In all, 11.3% of all cars DIYers maintain were 1970 or pre-1970 model years—largely hobby cars. Indeed, 0.2% of these cars were made prior to 1910. MVMA figures indicate that 7.3% of all registered cars were 1970 or pre-1970 models.

This section was written by P.R.N. Katcher. For more information on DIYers and consumers in general, see the following *Automotive Marketing* stories: "Get To Know Your Customers," November 1988, January 1989; "The Consumer Automotive Repair Study," March 1988, March 1989.

THE PEOPLE WHO WORK IN YOUR STORE

In 1983, there were about 309,700 people working as sales clerks, stockroom helpers, countermen, assistant managers, and other hourly employees in the automotive aftermarket. By the end of 1995, about 341,300 people will be needed to fill those positions.

Still, each year, help wanted ads go unanswered and entry-level customer contact positions go unfilled. If the positions are filled, it is often the result of "wage wars" as aftermarket retailers try to out-bid fast food chains and other retail specialty stores for the ever-dwindling number of entry level workers. And when the positions are filled, they are often filled by unmotivated, undisciplined, unskilled workers, according to some retailers. These are workers retailers would rather not hire if they had a choice. But they no longer seem to have a choice.

The issue of employment in the aftermarket is important today. The issue of employment in the aftermarket will be critical tomorrow.

Who's Minding The Stores?

Just who does work in the aftermarket today? Who filled those 300,000-some-odd hourly positions in 1988?

"Most of them are young people, unsure of what they want to do. They try out several types of jobs to find what they really like, where they fit in," the director of personnel for the 330-store Nationwide chain said in a 1988 interview. The chain, based in Columbus, OH, employed about 2,500 hourly people, about 500 of them part-time, at the time of the interview.

"This may be their first job, and they look to gain from the job rather than bring skills to it. They may be experienced with automotive, they may not. It may be that their basic skills are not as good as they used to

be," the spokesperson said.

Not surprisingly, a survey of *Automotive Marketing's* Retail Panel found that the hourly employees of the aftermarket are primarily young white males with high school educations. One Panel member described them as "semi-skilled workers."

These hourly employees made between \$13,308 and \$14,449 annually if they worked full-time; or about \$3,514 if they worked part time, Ann Tanhoff, of APAA's Foundation for Aftermarket Industry Research (FAIR), said in 1988. If they worked full-time, they put in from 2,087 to 2,598 hours each year; an average of 1,154 if they worked part-time.

Most stayed at their jobs between one and five years, according to Retail Panel members in 1988. About 5.5% of them leave their jobs each year to be replaced by similar workers, according to a FAIR study. Most of the stores where they work employ between five and seven hourly workers. Usually just over half of them work there full-time, according to the Retail Panel.

In general, the members of the Retail Panel were dissatisfied with their hourly employees. "We have a hard time finding someone who is really interested in the job, not just in getting a paycheck," one member said.

Nevertheless, these same employers will bend over backwards to keep someone whom they consider to be a "good" employee on their payrolls. "We give them special caring attention," another retailer said.

Why go to extremes to keep hourly employees, hourly employees who are often unsatisfactory to their employers? Because help—any kind of help—is hard to find.

The labor shortage can be explained in a few simple, declarative

THE PEOPLE WHO WORK IN YOUR STORE

WHO WILL MIND THE STORES:

HOW DO THEY FIND NEW EMPLOYEES?

We asked our Retail Panel: "What do you do when you need to hire new sales clerks, stock room helpers, countermen, and assistant managers?" Most stores turn to their current employees for help.

Put A Want Ad In The Local Newspaper 44%

Put A Help Wanted Sign In The Window 12

Get Referrals From Current Employees 65

Hire Relatives Of Current Employees 10

Recruit At Local High Schools And Vo-Tech Schools 47

Sources: 1988 Automotive Marketing Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

HOW DO THEY INTERVIEW?

We asked our Retail Panel: "How long do you take to interview potential new sales clerks, stock room helpers, countermen, and assistant managers?"

More Than 1 Hour 9%

At Least 1 Hour 15

30 To 40 Minutes 21

15 To 30 Minutes 44

15 Minutes Or Less 12

We also asked our Retail Panel: "Do you interview potential new hires in person, over the phone, or both?"

In Person 83%

Over The Phone 10

Both 7

Sources: 1988 Automotive Marketing Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

sentences: The population growth rate is leveling off. The U.S. Bureau of Labor Statistics says the population growth for civilians 16-years-old and older will drop from a rate of 1.4% per year in 1986 to about 0.8% in 1995. The same source says the population of Americans between 16 and 24-years-old, the prime age for entry level workers, will drop from 23.5 million in 1986 to about 21 million in 1995. The result is fewer new workers. But there will be more jobs to fill—about 130 million jobs in 1995 compared to 110 million jobs in 1986. Between 1986 and the year 2000, about 1,200,000 of those new jobs—an increase of 33%—will be in retailing.

Aftermarket retailers are already feeling the pinch. Fully 71% of *Automotive Marketing's* Retail Panel members said they had trouble hiring hourly employees.

A Look To The Future

The important question for the aftermarket is where will future workers come from? And, another important question is, what will they need to be like?

According to a profile developed by the Task Force On Human Resources Development, the aftermarket workers of the future will have to be more technically oriented than ever before because of the extensive use of computers in the stores, in the service bays, and in the vehicles. And future aftermarket workers will have to be more customer and customer-service-oriented than their counterparts today.

The Task Force is an industry group made up of members from APAA, the Automotive Warehouse Distributors Association (AWDA), the Motor Equipment Manufacturers Association (MEMA), the Automotive Service Industry Association (ASIA), and the Automotive Service

Association (ASA).

The worker profile that the Task Force developed will be a hard role to fill based on today's hiring practices. Retail stores use the same recruitment techniques today that they did in 1950, according to a National Retail Merchants Association (NRMA) study called "An Assessment Of Labor Shortages In Retailing." (Some 88% of retailers still rely on "walk-ins" as their primary recruitment means.) The minimum wage is still the going rate in most aftermarket stores. (Some 40% of our Retail Panel members said the average starting wage for hourly help hired in their stores in 1988 was between \$3.50 and \$4 per hour.) And, so far, only a few innovative ideas on how to find, hire, and keep those technically oriented, customer service-minded, aftermarket employees of the future have been generated by aftermarket employers.

But retail industry experts say new ideas must come from somewhere. Here's a look at some of the changes—changes in attitudes, recruitment, training, and pay methods—that the experts say will have to be made in order to meet the aftermarket's future staffing needs.

The Management Connection

The first thing that will have to change is management's attitude toward employees, Sherman Titens, president of the Fromm Institute and strategic planning consultant for AWDA, Kansas City, said in 1988.

"Management has to change. There has to be a new awareness of ourselves, a new value system that recognizes that the stores' overriding function is to satisfy the customer, not to sell parts. But that can not be done until we—the management—buy into that idea from the top down," Titens said.

"Buying into it" means using a

different attitude when you hire, according to Titens. As long as management hires against a task, to just fill a job, there will be problems hiring quality people, he believes. "If the idea is just to fill a job, you will only get job-fillers for employees," Titens said.

His words were echoed by Alice McCord, senior vice president for research of the NRMA in 1988. "Retailers have to know what they are looking for in an employee. Instead, they tend to just look at filling out a schedule with warm bodies and at nothing else. They should look for enthusiastic, action-oriented people, people who are interested in the product they sell. It is a harder way to hire, but worth it in the long run. If you want better employees, you have to go out after them."

Titens believes he knows how to get those employees. "You have to change the focus of why you are hiring. So long as the focus is just on the job, you will have difficulties. It means saying to a potential hire, 'Let me you tell you what we're all about and where you will fit in' instead of 'I need a counterperson.' It means thinking of that next hire as somebody you'll bring along in the industry, not just a new guy behind the counter."

It means that management must buy into the idea that the new hire is a part of a bigger picture, Titens claimed. "If management doesn't buy into that idea, all they will ever be able to hire is a guy who can only get a job for \$3.35, and he will leave as soon as somebody offers him \$3.45," Titens said.

Some retailers have been very successful in doing just what Titens and McCord talked about. Trak Auto, Landover, MD, is one of them.

"We look to balance satisfaction, dissatisfaction, and motivation fac-

tors with each employee. We are not always successful because there are some things we can not change—like the need to have the stores staffed nights and weekends 92 hours per week," the director of personnel for the 276-store Trak Auto chain, said in 1988. Trak had about 1,500 hourly employees in 1988.

"We try to help each individual reach a comfort level here. We try to help them, but they have to decide if they like the hours, like working with people. Some just don't like it and that causes a lot of turnovers. But those who stay know there really is a place here for them," the director of personnel said.

Looking For A Few Good Employees

So where will the aftermarket's future employees come from? Most aftermarket retailers feel tomorrow's hourly employees will probably come from the same places they come from today.

"In five years, they will come from the traditional places that you would expect them to come from. You hear a lot about hiring the elderly, but for us the elderly are a small market, we get a few of them, but only a few," Trak's spokesman said.

But retailers will have to look beyond the "traditional" places if the aftermarket is to meet its future staffing needs, NRMA's McCord said. Recruitment—active, long-range recruitment—and inspired hiring techniques will be needed.

"Most retailers have not changed the way they hire—they depend on walk-ins. And that's fine, but they need to reach the dwindling number of young people through methods young people respond to such as radio and TV. So far, most retailers seem reluctant to try new methods," McCord said.

The Nationwide chain is one after-

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We also asked our Retail Panel: "Do you interview potential new hires in person, over the phone, or both?"

In Person	83%
Over The Phone	10
Both	7

Source: 1988 Automotive Marketing Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

IS GOOD HELP HARD TO FIND?

We asked our Retail Panel: "Do you have trouble hiring good, skilled sales clerks, stock room helpers, countermen, and assistant managers to work in your store?" Most said yes.

Yes	71%
No	29

Source: 1988 Automotive Marketing Retail Panel

THE PEOPLE WHO WORK IN YOUR STORE

WHO WILL MIND THE STORES: WHAT REQUIREMENTS DO THEY HAVE?

We asked our Retail Panel: "What requirements do you have when you hire new sales clerks, stock-room helpers, countermen, and assistant managers?" Most want high school graduates with good driving records.

Be At Least A High School Grad	56%
Be At Least A College Grad	0
Needs No Previous Experience	28
Needs At Least 1 Year's Experience In A Similar Job	24
Needs At Least 1 To 5 Year's Experience In A Similar Job	15

Source: 1988 Automotive Marketing Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES: DO THEY HAVE JOB DESCRIPTIONS?

We asked our Retail Panel: "Do you have, and give, written job descriptions to potential new sales clerks, stock room helpers, countermen, and assistant managers?"

Always	15%
Sometimes	36
Never	47

Source: 1988 Automotive Marketing Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

market retailer that is out to do things differently. Making young people aware of the opportunities available with Nationwide is a big part its director of personnel's job, and is part of the company's long-range strategy for success.

"We do a lot of recruiting at vocational schools. That involves going to all the careers days held by local schools where they invite employers in from the community. We also hold our own career days in the stores. At those days, we make all sorts of people available — managers and regional people. We have a real good response to this because of the level of people involved. We show young people that we are serious in our interest in them. Yes, it takes a lot of preparation, but it is worth it," the Nationwide director of personnel said.

AWDA's Titens adds that, "Most of all, you need to make all of your managers realize that creative hiring is part of each day's job, not just an occasional task to be done when there is a vacancy. Then, it's too late. There are no quick fixes. First you must design a process."

The Money Factor

The final thing that will have to change before the aftermarket can meet its future staffing needs, the experts said, is how the aftermarket pays its employees.

More than half of our Retail Panel members told us they pay established hourly employees between \$4.51 and \$6 an hour. But 40% of them said the average starting wage for hourly help hired in 1988 was between \$3.50 and \$4 per hour. Another 19% said employees hired in 1988 were still making that amount after six months on the job. Yet many of the same retailers also said that what they pay is simply not enough to attract the quantity of

qualified employees they said they need to adequately staff their stores.

A move to increase the federally mandated minimum wage could end all aftermarket debate on the value of minimum wage. But it won't solve the "you get what you pay for" problem for most retailers. Solving that problem will take re-thinking some retailing basics.

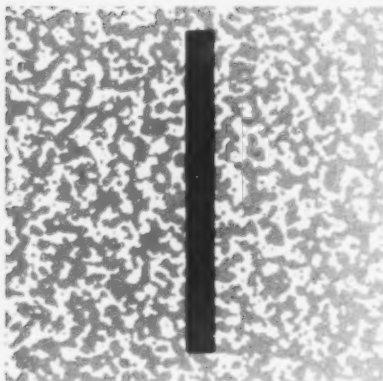
"To begin with, retailers could switch to full-time employees and increase pay levels to increase employee loyalty. We can not continue to pay minimum and get the quality we are seeking," McCord said. "It's not totally unrealistic to reduce the number of people you pay, and pay the rest more," McCord said.

"There are only three ways to make a profit: increase sales, increase gross margins, or increase net profit," Titens said. "Once you realize that labor does not have to be held at \$3.35 in order to make goals you can move beyond that trap," Titens added. Both Titens and McCord recommend using bonuses and incentives as alternatives to pushing up the overall pay scale.

But all of these changes may only be stop-gap measures, McCord said. "In the end, we are all going to have to learn to retail differently, to use our dwindling staffs where they will have the most impact."



SELLING HARD PARTS



In 1987, total retail sales of replacement parts were in the range of \$34 to \$35 billion. That estimate is just for parts; it excludes sales of tires, batteries, accessories, chemicals and automotive services. These bolt-on parts represent opportunities and problems for retailers.

As we define the category, bolt-on parts accounted for better than 40% of total retail sales of replacement parts in 1987, or \$14.1 billion in retail sales. The preliminary projection for 1992 is retail sales of more than \$18 billion.

Four functional part groups fall into the bolt-on parts category:

- **Cooling System Parts**

These include belts and hoses, water pumps, thermostats, and, increasingly, complete replacement radiators.

- **Fuel System Parts**

These include new and rebuilt carburetors, carburetor kits, fuel pumps, fuel rails, fuel injectors, and other fuel injection system parts.

- **Electrical Parts**

These include conventional and electronic ignition parts, wire and cable, new and rebuilt alternators and starters.

- **Undercar Parts**

These include three large subgroups: brake system parts, exhaust system parts, and steering/suspension/ride control.

Here's a look at the trends for the future in these categories.

Trends For Cooling System Parts

Overall, growth prospects for cooling system items are good, better in fact than for many categories of aftermarket parts. The reason is high underhood heat in late model vehicles.

On the other hand, belt and hose manufacturers have met OEM specifications for tolerating higher heat. Therefore, relatively rapid re-

placement rates may slow down during the 1989-92 period. In addition, DIYers appear to find it difficult to replace serpentine belts and molded heater hose in the tight underhood space of late model cars. This factor is also said to be hurting the sales of water pumps in DIY-oriented retail outlets.

There are no overwhelming technological problems preventing vehicle owners from doing their own replacement of belts, hoses, and water pumps. However, DIY for these items is not as easy as it once was. So, chains have to respond either with clinics, videotapes, or pamphlets showing DIYers how to overcome problems in installing cooling system parts, or with tools to make installation easier, or with both.

A bright spot for retailers, with or without service bays, is the increasing sales potential for complete, replacement radiators. Chain stores account for less than 5% of radiator sales now, but their market share is rising rapidly. One reason for the gain is that DIYers find it a relatively simple task to detach and replace worn-out radiators.

Radiator manufacturers disagree on sales potential by 1992. One sees the possibility that retail sales of new, complete replacement radiators will approach \$400 million; another sees the market remaining below \$300 million.

Trends For Fuel System Parts

There will be continuing demand for replacement carburetors and carburetor kits well into the next century. Moreover, as unit sales decline, the prices charged for replacements are likely to rise. To the extent carburetors are still around, they will continue to be in demand by DIYers. On balance, slow growth in unit sales of mechanical fuel pumps will be offset by increasing

SELLING HARD PARTS

THE THREE HARD PARTS CATEGORIES

Merchandising Parts	
	Filters
	Spark Plugs
	Wiper Blades
	Automotive Lamps
	Ignition Parts
	Wire & Cable
Quick Change Or Bolt-On Parts	
	Ride Control Parts
	Brake Parts
	Electrical Parts
	Fuel System Parts
	Cooling System Parts
Service Parts	
Tire	Clutch Parts
	Struts
	Shock absorbers
Valve	Timing Belt Parts

sales of higher-ticket electronic fuel pumps.

The good news about the fuel pumps is that some vehicle designs call for two fuel pumps. The bad news is that there seems to be a trend toward mounting one of these pumps inside the fuel tank. The tank must be dropped in order to replace this fuel pump. That won't faze some DIYers, but it will discourage others.

As of 1987, the fuel injection system parts market was about \$100 million, dominated by dealerships. By 1992, this market will rise to about \$250 million. It will be shared by dealerships, tune-up/diagnostic specialists, certified service facilities run by tire and oil companies, and those independent repair shops willing to invest in training and equipment for this service. Will there be a place in this market for chain stores? There will be if they are willing to provide tune-up/diagnostic service in their bays or solicit the business of installers. DIYers will find it tough to work on their fuel injection systems without extensive training in fuel systems diagnosis. On the other hand, the next five years may see the development of economical, hand-held diagnostic equipment which will be available to DIYers as well as pros.

Trends For Electrical Parts

The big replacement market for alternators will continue, and they will remain a good item for retailers because they are relatively easy to detach and replace.

Conventional ignition parts—even distributor caps—are being phased out of automotive systems. The question for the future is whether DIYers will attempt to do their own diagnosis of electrical system/engine performance problems—and their own replacement of

parts like electronic ignition (EI) modules—or will they entrust this work to professionals.

Some DIYers will try to do anything even if they lack the know-how to do it right. For example, numerous DIYers have tried to solve performance problems by doing their own replacement of EI modules. It is a relatively easy task to detach and replace these ignition modules; the harder task is to find out whether replacing them will solve the problem. In other words, the late model vehicles put a premium on diagnostic skills and equipment.

Certainly, a percentage of DIYers will gain the skills (and perhaps the equipment) to perform their own tune-ups on computerized vehicles of the late 1980s. On balance, manufacturers of ignition parts see slower growth in retail stores on many types of ignition parts. The gainers will include those service merchandisers and traditional installers who make a substantial investment in recruiting and training diagnostic technicians.

For retailers, selling ignition parts for modern vehicles will require more effort in providing guidance and diagnostic equipment to DIYers. This means more and better training material. And it means increased revenue opportunities in selling, or renting, diagnostic devices.

Trends For Undercar Parts

The brake system remains important for retailers, both in over-the-counter sales of brake shoes and disc pads and in service bay repairs. DIYers can still—and do—change shoes and pads on late model vehicles. On the service side of the business, there has been a trend toward price point merchandising; for example, \$59.95 “brake specials.”

In order to reach “magic-num-

SELLING HARD PARTS

WHAT SELLS?

Retailers can do a better job of selling bolt-on parts. Here are a few ideas:

- Complete Replacement Radiators

Retailers can sell this category both over-the-counter to DIYers and via their service bays. Some manufacturers believe that retailers as a group can double their sales of radiators between 1989 and 1992. Two things are required: a commitment to advertising their availability and a willingness to cover better than 80% of applications.

- Other Cooling System Parts

Smart retailers engage in systems promotion; they remember to ask the antifreeze/coolant customer about belts, hoses, thermostats, and vice versa.

- Fuel System Parts

Retailers with service bays have to consider whether they are willing to let the business of installing fuel injection parts fall into the hands of dealerships, tune-up shops, tire company service bays, or the oil company service franchisers. Fuel system parts represent one of the fastest growth opportunities in the aftermarket in the 1989-92 period. However, competing for such high-tech business will require a substantial commitment to technician training.

- Ignition Parts

Retailers with bays can compete here if they are willing to commit resources to training. For DIY-only chains, building ignition parts/tune-up business will require more effort in producing DIY training materials and renting/loaning of diagnostic tools and equipment.

ber" prices, merchandisers have to narrow the scope of the service offered. For example, a price of \$59-\$69 on a brake special is possible if it applies to only one axle.

One brake parts manufacturer said, "It may not be a bad idea to offer service on one axle. In front wheel drive cars, the front brakes tend to wear out twice as fast as the rear brakes. However, car owners have to be aware of what they are buying. A price of \$59.95 may be a good value if it includes resurfacing of drums or rotors. On the other hand, a price of \$49.95 may be a bad value if it only includes replacement of shoes or pads."

Retailers' position in the exhaust system parts category is complicated by geography, demographics, business format, and inventory policies. For example, stores without bays in the mid-South and the Southwest—like AutoZone and Checker/Schuck's/Kragen—have lots of DIY customers but less call for exhaust parts because of slow rust-out.

In general, retailers find it burdensome to stock exhaust parts because of the number of parts required to cover 80% or better of applications. In addition, mufflers and pipes take up a lot of storage space.

On the other hand, service-oriented chains are active in merchandising exhaust systems service for their bays. Typically, these stores rely on local jobbers for prompt availability of the necessary mufflers and pipes.

For retailers, some of the big questions for the future of exhaust pipes include: How will stainless steel affect replacement rates? And, how much of the business will muffler specialists have?

Trends For Ride Control

There is better news for retailers on suspension/steering/ride control products. DIYers can still replace

shocks and there is a clear trend toward higher value, higher ticket gas-charged shocks. On the other hand, there are problems for DIYers in installing struts; these are difficult—even dangerous—to install without the use of proper spring compressors. Some chains meet this challenge by loaning or renting the necessary tools.

Retailers have growth opportunities in installing a broad range of suspension and steering parts, including ball joints, rack and pinion steering parts, and CV-joints, in addition to traditional ride control parts. But, retailers face formidable competition from the muffler shops and tire dealers who are broadening their line of undercar services.

Trends For Remanufactured Parts

"Reman" has been important in such lines as water pumps, carburetors, alternators, starters, solenoids, and distributor caps; brake parts such as master cylinders, disc brake calipers and brake shoes; power steering units, rack and pinion steering, and CV-joints.

There is substantial demand for rebuilt water pumps. But during the 1981-85 period, OEMs shifted design from cast iron to aluminum pump bodies. That hurt—and continues to hurt—because of higher core losses on aluminum than on cast iron. The other problem had to do with exchange rates: when the dollar was strong it was often less expensive to import new replacement water pumps than to rebuild them domestically. Now, it should become more economical to rebuild domestically.

Rebuilders are faced with a declining market for carburetors. However, it will be years before demand for rebuilt carburetors totally dries up. In the meantime, declining unit sales will be off-set by higher

prices.

Rebuilders dominate such electrical parts markets as alternators, starters, and solenoids. Demand for these reman items remains strong. However, rebuilders expect to see less business on distributor caps because of the movement to distributor-less ignition. Of course, the full impact of that design change won't be felt in the aftermarket for a few years.

There is a big role for rebuilders, local as well as national, in supplying such brake parts as master cylinders, brake shoes, and disc brake calipers.

Some new markets for rebuilders are in suspension/steering, including such lines as rack and pinion steering and CV-joints. Remanufacturers differ in their attitudes about the CV-joint market. One Massachusetts firm remanufactured CV-joints supplied by GKN for its line. However, when prices of reman CV-joints fell sharply, it withdrew from this market.

On the other hand, Champion Parts Rebuilders, Chicago, planned to rebuild and market CV drive shafts. A spokesman for the company reasoned that complete assemblies are more reliable than replacing individual pieces. Moreover, installing a complete drive shaft is easier than tearing the system down to replace pieces. In fact, replacement of complete CV drive shafts is within the capability of many DIYers. For these reasons, Champion Parts Rebuilders expects to sell CV drive shafts via retailers as well as through the WD/jobber channel.

Retailer Perspectives

From the retailers' point of view, the sales outlook for bolt-on parts is generally optimistic.

- **Brake System Parts:** near-term prospects are good. There is con-

cern that semi-metallics will mean slower growth for brake friction product sales. Some retailers expect continued growth in DIY, others see this slowing.

- **Cooling System Parts:** retailers see increases of 5% to 10% for the near-term. Thermostats are now more accessible, but it is harder to install molded heater hose.
- **Ignition System Parts:** retailers believe there are enough old cars on the road to sustain a growth rate of about 1-2% per year through 1990 for conventional parts. But sales of tune-up kits and spark plugs are down.

- **Ride Control:** some retailers see declining DIY sales, others expect DIY sales to increase. But retailers see faster growth for service specialists than for DIY-oriented chains.

- **Fuel System Parts:** the question for the future is whether DIYers will do repairs on electronically controlled vehicles; only a few retailers are optimistic. Meanwhile, retailers sell replacement carbs and kits.

But despite geographic differences, there is a general consensus that both near-term and long-term prospects for exhaust system parts are declining.

This section was prepared by Wendy Amplosk from material originally written by Edward L. Kaufman. For more information, see the following *Automotive Marketing* story: "The Ins & Outs Of Bolt-On Parts," April 1988.

THE RETAIL MARKET FOR BOLT-ON PARTS

Estimates for 1987, projections of 1992
(in millions of current dollars)

	1987	1992
Cooling System Parts Water pumps, belts & hoses, radiators, thermostats	\$18,064	\$20,54
Fuel System Parts New & rebuilt carbs, carb kits, fuel injection system parts	\$14,194	\$3,130
Electrical System Parts Ignition parts, wire & cables, alternators	\$1,654	\$3,850
Undercar Parts Brake system parts	\$2,120	\$2,550
Exhaust system parts	\$3,010	\$2,540
Steering/suspension/ride control parts including shocks, struts, R&P, U-joints, CV-joint	\$2,200	\$3,940
	\$2,340	
	\$2,870	
	1987	1992

Source: 1988 estimates & projections of the Lindsey-Kaufman Co.

SELLING ACCESSORIES

In the vast automotive accessories market, demand just keeps rolling along. Vehicle owners appear to have an almost insatiable appetite for products that dress up their cars and trucks or improve their vehicles' comfort, convenience, safety, and security.

But today it takes more time, effort, and money to make it big in automotive accessories, whether as a retailer or manufacturer. The customers who want more, and who are willing to pay more, also expect more. They expect higher quality, greater selection, more service and an attractive selling environment.

For some accessories, customer expectations include installation service. However, even on products for which professional installation is not a consideration, vehicle owners expect, at the very least, courteous, trained sales people who can aid them in selection and provide advice on DIY installation.

Today's Accessory Customer

Two big factors have stimulated demand for accessories since the early 1970s. One has been the explosive growth in sales of pick-up trucks, 4WD vehicles, and off-road vehicles.

The other factor in building accessory sales volume has been the willingness of customers to move up to ever higher price points. And, today's vehicle owners have the "scratch" to satisfy their "itch" for higher quality, more highly styled, and higher priced accessories. Today's accessory buyers are better educated and more sophisticated with more income and more advanced tastes and aspirations.

Meeting The Customers' Needs

For retailers, teaching today's customers to upgrade their accessory choices has been one of the most

significant changes in the automotive accessories business.

Retailers must have the focus, commitment, effort, and good display techniques to meet the customers' higher expectations. Of course, it helps to have volume purchasing power and higher traffic. However, those factors do not guarantee success. Meeting the consumers' higher expectations means:

- A greater investment in inventory to provide the selection consumers demand.
- More dollars invested in display space for accessories; it takes a lot of space to properly display big products such as running boards, bed liners, tailgate protectors — not to speak of assortments of custom wheels.
- Considerably more time and effort of store management and merchandising staffs in planning and executing accessories programs; this includes all the steps of choosing vendors, picking planogramming, warehousing and administering deliveries, sales — and returns.
- A bigger investment in fixturing and point of purchase (POP) material for accessories displays.
- More time and effort in sales training.

Retail Winners & Losers

The winners in the aftermarket in recent years have included highly focused participants — like automotive chain stores and specialty service chains. In contrast, generalists, such as many of the regional discount department stores, have lost ground.

Why have generalists lost share of the accessories business? For a variety of reasons. Some of them have succumbed to larger management and financial problems and are out of business altogether. Some of

them, J.C. Penney is an example, decided to emphasize "soft lines" like apparel, rather than "hard lines" like automotive parts and accessories. And among those generalists remaining in the automotive aftermarket, some discount stores and variety stores have failed to respond to the "upgrading" of consumer tastes. So, for example, they are still emphasizing low-end seat covers rather than the more highly styled merchandise available from other retailers who have invested in a broader range of inventory.

A big factor in separating winners from losers—or big winners from not so big winners—is investment in space. As noted above, it takes a lot of space to properly display the larger, more profitable, big-ticket items. While putting the merchandise on display does not, of course, guarantee that it will sell, *not* displaying it certainly guarantees that it will not sell.

What this means, basically, is that well-financed retailers who are committed to the automotive accessory business—and devoting display to it—are getting the business.

Does this mean that only chains with hundreds of stores can succeed in the accessories business? No, it does not. A senior executive of one of the largest chains said, "Our strongest competitors are not other big chains like ours, but independently managed smaller chains and parts stores. Purchasing power is not the whole story. It is as important to be in touch with your customers' needs—these products have to be *sold* as well as *bought*."

"In those respects, retail chains which are run by their owners have an advantage over stores which are operated at a distance. An important factor is owner involvement; the owner is there every day; he knows what is going on and can take

action promptly."

So there appears to be a place in the accessories business—maybe a very *good* place—for the smaller regional chains of auto parts stores as well as the giants.

Portrait Of A Winner

One chain determined to be a winner in the automotive accessories business is Texas-based Pettigrew-Smith. This chain has stores in the Houston and Austin areas. At one time, these stores had been traditional, largely wholesale jobber stores. Under new management in 1988, its goal was 40% wholesale and 60% retail sales. And that means accessories.

"The subject of accessories is important to us because we have to make the transition from an old-fashioned traditional jobber chain, with the parts counter six feet from the door, to a retail oriented environment in which presentation is vitally important," a spokesman said in 1988.

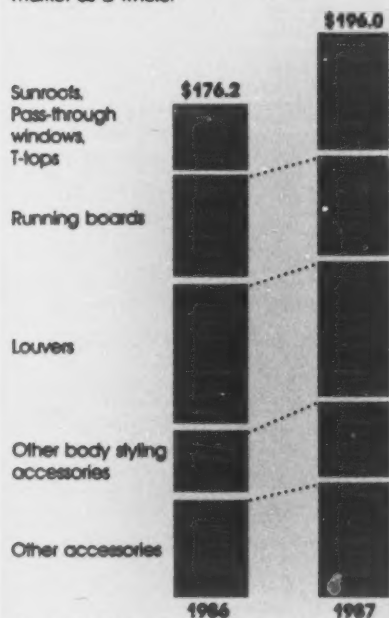
Automotive accessories have been important to Pettigrew-Smith for some time. In fact, they are one of the three major product groups monitored by management, the other two being hard parts and chemicals. The long list of accessories carried by the chain includes chrome hang-on goodies, tool boxes, mirrors, gauges, thermometers, floor mats, and truck accessories. The latter grouping includes chrome rails, running boards, tailgate protectors, bed liners, and windows.

Because of the new merchandising philosophy, accessories are destined to become even more important to the chain. Have accessory manufacturers been helpful to the chain in planning its changes? "Some are very helpful. Give them an idea of how many dollars you are prepared to spend per store and per

SELLING ACCESSORIES

ESTIMATED SALES OF AUTOMOTIVE ACCESSORIES (At manufacturers' level in millions of dollars)

The overall sales increase at the manufacturers' level for important accessories was from an estimated \$176.2 million in 1986 to \$196.0 million in 1987, an increase of 11.2% or about twice as much as the growth rate for the after-market as a whole.



Source: The Lindsey-Kaufman Co.

square foot of space, and they help design planograms," said the spokesman.

Smaller Players Win, Too

But what about independently owned jobber stores—are they destined to be “losers” in the automotive accessory business? Not necessarily. In fact, according to one large Southeastern WD, “Our jobber customers are interested in accessory business, and they are increasing their purchases and sales of accessory items. There are limits as to what they can do in this business though. There are space limits on what they can display and financial limits on the depth and breadth of their inventories.”

This WD's jobber customers prefer to buy accessory items which are relatively small—items like chamois pads, mirrors, gauges, gasoline cans, tool kits—and relatively low ticket. Most items are priced at under \$15. Space and capital limitations rule out multiple lines of products. In addition, the lines which are stocked are necessarily short. “Our customers will stock air fresheners, window film and car sun shades because they don't take up too much room. They are not going to invest in an assortment of 20 wheels or ten bed mats,” the WD said.

Makers Meet Customers' Needs

Manufacturers, too, have to worry about meeting the expectations of both consumers and retailers. Some of the areas in which they are under increasing pressure include product concept, service, and credit.

When it comes to product concepts, the winners among accessory manufacturers tend to be admired by retailers for being innovative, creative, and on top of the market. This means they have the ideas on

product features and styles which will attract accessory customers.

Retailers do not expect manufacturers to pioneer complete new product categories every year. However, they are expected to make changes in styles, colors, and features to freshen existing categories. In fact, according to manufacturers and retailers, while the basic categories have changed little in the past two years, there are more changes than ever *within* categories; that is, more additions and deletions of specific colors and styles.

Some of the manufacturers most respected by retailers for being “innovative” are not necessarily always the first in the market with a new idea. Not infrequently, they pick up, improve on, and *run with*, a competitor's idea. What counts is that “they are on top of the market,” retailers said, are alert to what might sell well; and willing to move aggressively and take some risks.

Increasingly, accessory manufacturers are competing on a *service* basis. It is not that product quality and pricing have become unimportant. Far from it; they are *expected* as the minimum basis for being a vendor. What distinguished the winning vendors from the losers is service. Service, broadly defined, includes the following:

- Logistics: on time delivery to retailers' warehouses and/or stores.
- Merchandising Assistance: some retailers expect—and get—help from accessory manufacturers in planogramming their accessory displays. Retailers also appreciate help from manufacturers on POP material.
- Packaging: this aspect of “service” is an important subject in itself. Increasingly, retailers expect accessory manufacturers to provide packaging which is attention-getting, functional and “user friend-

SELLING ACCESSORIES

DESIGN TO WIN ACCESSORY SALES

Successful auto chain stores and mass merchandisers design their accessory sections and displays to win sales.

"You've got to pay attention to cosmetics in selling accessories. It is not enough for the product to have a pleasing appearance; everything surrounding the product has to be pleasing, too. This includes the package, the display fixtures, the point-of-purchase selling material, the store interior and exterior," an executive with an accessory manufacturer said.

A spokesman with the Atlanta-based design firm Miller/Zell compares the work of the design firm to that of retail advertising agencies. Miller/Zell has done design work for Goodyear, numerous mass retailers, and the Hyundai and Mazda dealership parts stores.

"In a sense, store design is really three-dimensional advertising. Retailers are becoming increasingly aware that the store is part of the marketing mix. You've got to attract people to the store, get them in and expose them to the merchandise you want to sell. If the store layout,

lighting, and floor plan are right, customers will buy not only what they came for, but other items which caught their eye.

"It is the function of advertising to bring customers to the store. Our work begins where the work of the advertising agency ends. Our role is to create environments which are pleasing, functional and informative. We never forget that our function is to help sell products. It is not enough to create award-winning designs; we have to keep in mind what is being sold and to whom it is being sold."

On that last point, the spokesman noted that women are becoming increasingly important as accessories customers and that store designs have to keep this in mind. Store designers also consider how to direct the flow of traffic through the store to expose as much merchandise as possible. "The advertising art director tries to lead the reader's eye from one selling point to another. We try to lead the customer's footsteps from product to product."

ly;" that is, containing all the information required by DIY customers.

Another "Service"

Another aspect of "service" which is growing in importance and which separates supplier winners from supplier losers is guaranteed sales or credit.

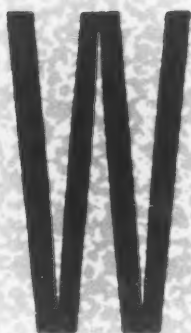
Simply put, accessory manufacturers have to be well financed these days because the chains expect extensive return privileges. Precisely because today's consumers are very demanding, styles are changing more rapidly than they did a decade ago. This means more risk that retailers will have some slow moving styles in their accessories inventories.

One retailing executive said, "Frankly, it has become riskier for accessory manufacturers to serve very large chains. We won't deal with any manufacturer who will not grant us 100% return privileges. We have to insist on this because we make a heavy investment in taking on a line, not just in inventories but in planning, logistics and administration."

For retailers and manufacturers alike, today's accessory market requires big investments in money, creativity, and time. But it's worth it. ■

This section was prepared by Wendy Amplosk from material originally written by Edward L. Kaufman. For more information, see *Automotive Marketing* stories: "Accessory Installation," July 1988; and "Accessories: Selling Steak & Sizzle," August 1988.

SELLING CHEMICALS

A large, bold, black letter 'W' is centered on a light gray background with a fine, repeating pattern.

What do automotive chemicals and motor oils have in common?

What these two big product categories have in common is appeal to do-it-yourselfers, high turnover, and the ability to sell themselves via consumer-oriented packaging.

As a DIYer, you don't have to be an automotive genius to change your antifreeze/coolant, pour additives into your gas tank or crankcase, use cleaners or apply waxes, polishes or vinyl protectant, or to change your oil. And that's very comforting at a time when many systems of the automobile are becoming harder for professionals to understand, let alone DIYers.

And you don't have to be a retailing genius to sell these products, either. And that, too, is comforting.

Another thing that automotive chemicals and motor oils have in common is that they have reached maturity as product categories. So, the main way manufacturers and retailers can find growth in sales and profits with these products is by developing markets for higher priced, higher performance products. Fortunately, they have done so, opening up new opportunities for sales. Here is a review of what happened in this broad product category during 1988.

What They Think About Antifreeze

The biggest item for retailers in terms of both gallonage and sales dollars continues to be antifreeze/coolant. It is followed by two functional fluids, brake fluid and transmission fluid. Windshield washer fluid is another "must have" item, and like antifreeze/coolant, its sales are affected by the weather.

In a survey we conducted in 1988, respondents were bullish on this group of chemicals. Most of them expected faster growth in sales for them, and more than half planned

to add SKUs (not space). Only a few expected to delete SKUs and/or reduce the amount of space devoted to these products. On the other hand, just over a third planned on adding space for the category; the majority were standing pat.

But, retailers were concerned about antifreeze/coolant. Since the Summer 1988, wholesale and retail prices had more than doubled. And the big question was whether prices would continue to rise through the remainder of 1988 and into 1989. They did.

Rumors of an increase were circulating as early as the Fall of 1987. An article in the March 1988 issue of *Automotive Marketing* discussed the likelihood of steep price increases on antifreeze/coolant in 1988. But it was not until June that retailers began to feel the impact of higher prices. Between mid-June and mid-August, wholesale and retail prices of antifreeze/coolant rose between \$2 and \$4 a gallon. Prices were still rising at the end of August, and some retailers anticipated that retail prices would hit \$12-18 per gallon before Winter.

Did retailers see any benefits to rising prices on antifreeze? Not really. In fact, they dreaded explaining the increases to their customers. Also, some feared that their profit margins may be squeezed even tighter. They saw the possibility that competition for business on this traffic builder may prevent them from raising their retail prices equal to their higher costs.

Functional Fluids

The major products in the functional fluid category were faring very differently from antifreeze/coolant. Brake fluid and transmission fluid are DIY items which tend to be good, reliable sellers throughout the year with DIYers favoring

SELLING CHEMICALS

national brands. However, in the upper Midwest the Champion Auto Stores chain tested its own brand of transmission fluid. And it was pleased with the results. One of the motivations for Champion to promote its own brand of transmission fluid is to enhance its image. At Champion, a spokesman said, "We want containers with our name to be stocked on the shelves of DIYers' garages. Every time they see them, they'll be reminded of us."

Maintenance Chemicals

This segment of the automotive chemical business includes such well established product categories as oil and gasoline additives, the new and growing category of fuel injection cleaners, and the now declining category of carb and choke cleaners.

In 1988, retailers anticipated fast growth in the sales of maintenance chemicals for their stores. On the other hand, less than half of those surveyed expected to add SKUs, and only about a third planned on increasing the amount of space they devote to maintenance chemicals. Retailers were especially bullish on fuel injector cleaners because of the increasing number of cars with fuel injection systems.

Retailers saw more customers seeking solutions to the problems of knocking, pinging, and low mileage. Traditionally, these problems were related to the use of low octane fuel. Car owners are looking for the benefits of high octane gasoline without paying premium prices for every fill-up. As a result, there is growing interest in octane improvers — chemicals which actually mix with gasoline to raise the octane level — and in gasoline additives which eliminate the build-up of carbon and improve performance.

A marketing manager for one

specialty chemical company said, "There are two types of octane boost products on the market. Most of them are methanol based. Methanol *does* have higher octane than gasoline. However, you would have to use about one gallon of methanol to 14 gallons of gasoline to raise the octane by two numbers. In those amounts, you risk rusting metal parts and damaging rubber seals. That is because methanol is an alcohol — very corrosive. This isn't a problem with the aftermarket packages of methanol because they are so small, only 12 ounces. Twelve ounces of methanol can be added to 14-15 gallons of gasoline without hurting the engine and fuel system parts. On the other hand, this amount of methanol doesn't add much octane to the fuel.

"The other approach to boosting octane is to use a lead substitute — like manganese. That type of product *can* be effective in raising the octane level of the fuel. Unfortunately, it is also extremely toxic — you don't want to get any on your skin! We would not consider making this kind of product because it would be hazardous to our employees, let alone our customers. The approach that we and a few other companies have taken is to treat the problems rather than the symptoms. The *symptoms* are knocking, pinging, low mileage and premature ignition. The *problems* are deposits of carbon on intake valves and in combustion chambers. Pre-ignition, for instance, results from hot spots caused by carbon deposits. You can deal with the symptoms by using higher octane fuel, but we believe the better way is to get more performance *from* the fuel by eliminating the problems."

Oil Additives

The other big favorites in mainte-

SELLING CHEMICALS

1988 MARKET FOR AUTOMOTIVE APPEARANCE CHEMICALS

This is a \$600 million market in retail sales, of which vinyl protectants and cleaners is the fastest growing segment.

Total	\$600MM	Comment
Vinyl protectants	\$240MM	Growing at 10%–15% per year
Waxes, polishes	\$190MM	Has been flat for years, a growth spurt during 1987–88 attributed to Armor All advertising
Other products	\$170MM	Growth in washes & cleaners

Source: The Lindsey-Kaufman Co.

nance chemicals are oil additives. And the biggest users of oil additives are, by far, the motor oil manufacturers. They use additives to enable mineral oil to deal with problems of high heat and oxidation. So, if oil companies add chemicals to their motor oil, what need is there for aftermarket oil additives? The answer, basically, is that additives can wear out. Besides, oil additives give DIYers the ability to adjust their oil viscosity to meet their needs. For instance, they are traditionally used by owners of older cars as a last resort before spending the money for a ring job.

While oil additives are widely used, the product category is considered mature and slow growing. This doesn't suit First Brands, Danbury, CT, which carved out a new niche in this old market.

First Brands claimed a 50% share of oil treatment business for its STP line of products last year. Examining STP's base of oil additive customers, First Brands noted that better than 95% are owners of cars five years old or older. In other words, most STP customers use the product as a viscosity improver—a way of coping with old-car problems.

First Brands decided to make an oil additive specifically formulated to solve the problems of later model vehicles powered by multi-valve, four cylinder, high compression, hot running engines. STP Supra Wear Control, First Brands' additive for newer cars, is formulated for the consumer who wants more protection than he can obtain from a conventional motor oil, even the new SG grade of motor oil.

At this time, STP has no real competition in the market for its newer car oil additive. Competitors appear to be holding back, waiting to see whether STP's extensive ad-

vertising for its new products will establish a new category.

But if STP's newer car oil additive is successful, you can bet that it will be joined by competitors.

Appearance Chemicals

This group of products—judged to amount to about \$600 million in retail sales annually—includes vinyl protectants and cleaners, waxes and polishes, and a long list of other kinds of automotive appearance products including touch-up paint, bug and tar removers, general purpose cleaners, specialty cleaners for use on upholstery and car interior surfaces and car washes.

There are conflicting opinions on the growth prospects of the appearance chemicals group. At one extreme, a senior executive of a leading company said, "This is a mature, slow growing industry. In fact, it has been declining during the past few years. We see two main reasons for this: changes in consumer lifestyles and base coat/clear coat finishes on automobiles. Whether because of the aging of the population or changes in values, we don't know, but consumers seem to be less willing to spend an afternoon to clean and polish their automobiles."

The executive went on, "The other problem has to do with changes in automotive finishes. The trend to clear coat finishes has given some consumers the impression that waxing is not needed, or less needed. In addition, many waxes contain abrasives which can scratch a clear coat. To stimulate growth, we have to have answers for both problems. Our solution is a new product which is easy to use and which contains no abrasives."

Retailers have a slightly different perspective. They say that their appearance chemical business is still growing (an average of 6.4% for

1988 over 1987) but that the business is not what it was. And yes, they attribute slower growth to better finishes.

Armor All, Irvine, CA, is very optimistic about this category. A top Armor All executive said, in effect, that growth is a matter of commitment.

"Our growth in the vinyl protectant and cleaner category is well known. Some say that we are the category. We have spent many millions on advertising to achieve that position and maintain it. We see growth possibilities in the wax and polish field, too. Studies of the Gallup organization show that the percentage of the population which is spending time on car waxing rose between 1982 and 1986."

What's New in Motor Oil?

In motor oil, the SG designation stirred up some market interest. It isn't every year that a new grade is introduced. The last one was SF motor oil, introduced in 1982. SG oils were developed because car makers and the petroleum industry recognized a need to provide a motor oil which can stand up to the tough conditions presented by today's hot-running cars.

In terms of motor oil market trends, perhaps one of the most significant events was Amoco's launching of its synthetic lubricant called Ultimate.

Amoco, Chicago, is enthusiastic about Ultimate—and so is its competitor Mobil Corp., Fairfax, VA, which produces Mobil-1 synthetic oil.

Will the introduction of conventional SG motor oils reduce the appeal of high priced synthetics? Not in the opinion of Amsoil. "Our customers are people who will always seek more performance and more protection than they can obtain

from a standard product."

At Mobil, an executive said, "There is no comparison in the performance of a synthetic, like our Mobil-1, and conventional motor oils. At the service station it costs about \$4.25 for Mobil-1 compared to about \$2.25 per quart for an ordinary oil. In the retail stores, Mobil-1 costs about \$3.99 versus an average price of \$1.19 to \$1.29 per quart. Four dollars a quart may seem like a lot of money, but it is actually a small price to pay to protect an automobile which may cost \$23,000 to \$25,000."

All in all, for a couple of mature product categories, automotive chemicals and motor oil still had a few surprises to offer in 1988. And it is still possible to find growth in sales and profits by selling the higher-priced, higher-performance products developed within these two categories in 1989. ■

This section was prepared by Wendy Ampolsk from material originally written by Edward L. Kaufman. For more information, see *Automotive Marketing* story: "Teaching An Old Product Category New Tricks," November 1988.

PLANNING FOR FUTURE GROWTH



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etailers seeking to grow their businesses need a business plan. To develop a business plan, you should thoroughly analyze the following:

- Industry trends
- Your competition
- The markets in which you do business
- Your existing businesses.

This analysis will help you to determine where the best opportunities lie. Once that is completed, you can develop a business plan. Typically, your business plan would include these sections:

- An executive summary
- Industry analysis
- Market analysis
- A business operation description
- Financial projections

What follows is a sample business plan that illustrates the methodology to use in considering expansion of your profit base. The plan is for ABC Auto Parts, a mythical chain that is considering expansion by adding a completely new and different line of products. We do not recommend this particular plan for your company; it is merely an example to illustrate the process.

ABC'S Business Plan For Expansion

Here is the Executive Summary section of ABC's business plan for expansion.

ABC Auto Parts Inc., a leader in the automotive parts and accessories regional market, has assessed its past and projected financial performance, and has found itself to be in an outstanding position from which to expand. Profits are substantial and sustainable, and assets are considerable.

ABC management has considered two paths for possible expansion. The first is the traditional addition of more stores in an attempt to increase market share. The positive features of this strategy are that

ABC has expertise in locating, designing, and opening stores carrying the full range of automotive parts and accessories.

On the negative side of this proposal, the local market is approaching saturation, and expansion into new markets would require considerable investment in plant, equipment, advertising and human resources.

The alternative expansion route considered is the addition of a new market within ABC's home region. A number of under-served market niches were examined to find a new product line that had both strong potential sales to ABC's existing customers and characteristics that would take advantage of ABC's corporate resources and managerial expertise. Home improvement products seem to comply with both sets of criteria. ABC has therefore decided to sell a new line of home improvement products through a separate chain of stores called DIY Shops. The opening of DIY Shops will create a number of strategic and operational synergies for ABC.

In evaluating the expansion decision, ABC has thoroughly considered the state of the retailing industry. This research has revealed a strong trend in the retailing industry towards niche marketing—the design of a specific product or concept for a specific customer. Bearing that in mind, the company further researched the market to be addressed and has defined a profile of ABC's existing customer. The DIY Shops concept was then specifically designed and tailored to meet the needs of these customers. In marketing new products to our existing customer base, the company strongly believes that it will be a success.

Industry Analysis

Here is the Industry Analysis sec-

tion of ABC's business plan for expansion.

Industry analysis suggests that consumers are aging and maturing, and will have more time and interest in DIY activities. In addition, quality of merchandise is becoming more of a concern to consumers than is price.

The retail industry has been evolving at a rapid pace. Increasingly sophisticated technology has enabled the industry to offer the customer more of the merchandise he wants at the time he wants it, and without raising prices. Customers have come to expect both breadth of assortment and depth of stock. Retailers have found that the most efficient way to satisfy both demands is to define and service very specific niches of the market.

Demographic trends must also be thoroughly considered. The "graying of America" is by now a well understood phenomenon. The number of Americans in the over-65 age bracket is projected to increase by 17% by the year 2000. Along with this trend is the commensurate "maturing of America," which describes the 33% increase in the number of Americans in the 45-65 age bracket by the year 2000. These trends indicate the mass market of the early 21st century will be older.

As the population ages, there will be significant changes in lifestyles. One of the major trends now under way is the change in tastes from conspicuous consumption to quality and true value. In making choices among stores, older consumers traditionally have tended to emphasize price, selection, and location as the most important virtues. Older consumers in the future, however, will on average be more affluent and will therefore make quality and service their top reasons for choosing stores.

As the population ages, it traditionally spends less time at work. Americans now enjoy a greater amount of leisure time than ever, and this trend will continue. As the work pace slows, time spent with leisure activities, travel, hobbies, DIY activities will increase. A recent survey concluded that senior citizens (age 65 and up) are 7% more likely than the general population to make minor repairs around the house regularly. In this environment, projections are that the DIY market will continually strengthen and expand.

These trends mean that a successful retail formula will call for high quality merchandise tailored to an older market segment. Price will be less important than perceived value.

Market Analysis

Here is the Market Analysis section of ABC's business plan for expansion.

ABC operates in the suburbs surrounding one of the nation's top 25 standard Metropolitan Statistical Areas. The overall population of the market currently served is 9,150,000, of which approximately 35% are males over the age of 17. The majority of this segment of the population have completed high school and their median income is \$30,017.

ABC recently conducted a survey of its customers and found many of them to be home DIYers as well as automotive DIYers. The two major reasons why they chose to be DIYers were their increased confidence in their skills, and rising repair costs. In a series of focus groups, participants indicated a strong desire to increase DIY home activities.

Many current ABC customers, however, also indicated a low likelihood of increasing repair work on their cars. Reasons cited for this

PLANNING FOR FUTURE GROWTH

FIGURE 1: DIY MARKET IN THE ABC REGION

Here are the various niches in ABC's market region and the competitors serving each. The four factors presented were defined by ABC's DIY customers as being most important to them in choosing a DIY store. The rankings, excellent, medium, and poor, were subjectively determined.

Analysis of this matrix reveals that most niches of the automotive accessories market are currently being served. Designing a store to fill the unoccupied squares—poor location, variety, service, and pricing—would probably not yield an extremely popular concept!

	Location	Variety	Service	Price
Excellent				
Medium				
Poor				

Source: Touche Ross

were the perception that cars have become more complicated and more reliable. Service warranties have also been extended on many makes of cars, lessening the necessity of DIY repairs. Indeed, a recent survey indicated that older citizens, the fastest growing segment of the populations, are significantly less likely to make repairs on their own cars than is the rest of the population.

For these reasons, the decision was made to expand ABC's profit base by offering a new product line to the company's existing customers within its home region. As result of these analyses, the option to expand by opening new ABC Auto Parts stores was rejected.

A major reason for choosing the new product alternative, DIY Shops, is ABC's competition. That competition consists of large discount/department chains, warehouse-owned store operations, hardware and home improvement accessory stores, and national auto

parts chains.

Analysis of the figures below show that most niches of the automotive accessories market are currently being served. Designing a store to fill the unoccupied squares—poor location, variety, service, and pricing—would probably not yield an extremely popular concept! However, the preponderance of unserved niches in the non-automotive DIY segment affords a number of opportunities to ABC. ABC's DIY Shops will satisfy the need for location and service by being conveniently located and staffed to afford the customer a higher degree of service than the competition.

Bearing in mind the retail industry trends identified in the Industry Analysis section above, DIY Shops will also offer the customer a wide variety of merchandise in several major categories such as tools and gardening equipment.

Predominantly top-of-the-line merchandise will be offered to create the perception and reputation of quality. Items will be attractively packaged and priced in the medium to upper price range to further enhance the image. Stores will be designed and merchandised to impart an upscale perception to customers. Advertising will target the increasingly affluent DIYers and hobbyists.

ABC's new do-it-yourself supply stores, DIY Shops, will offer the increasing ranks of upscale DIYers and hobbyists the ultimate in convenient locations, customer service, and assortment. This image will enhance and strengthen the company's original automotive accessories stores by drawing more customers to the locations, and the two stores will enhance each other by offering more products to each customer.

The Business Operation

Here is the Business Operation sec-

PLANNING FOR FUTURE GROWTH

FIGURE 2: DIY MARKET/HOME IMPROVEMENT SEGMENT IN THE ABC REGION

When, however, the automotive aftermarket specialists are removed from the matrix, leaving just the home-improvement products segment, a great number of possibilities emerge. This preponderance of unserved niches in the non-automotive DIY segment affords a number of opportunities to ABC. The "price" and "variety" niches seem well served by ABC's competitors. ABC, therefore, will address both of the other areas identified as important by ABC's customers, Location and Service. ABC's DIY Shops will satisfy both of these needs. DIY Shops will be conveniently located and will be staffed to afford the customer a higher degree of service than the competition.

	Location	Variety	Service	Price
Excellent				
Medium				
Poor				

Source: Touche Ross

tion of ABC's business plan for expansion.

DIY Shops, a home improvement supplies store, was chosen by ABC's management not only for its appeal to ABC's existing customer base, but also the similarity between the two chains' operations.

Much of the merchandise assortment to be carried in DIY Shops is offered through the jobbers and manufacturer's representatives with whom ABC currently transacts business. ABC buyers have strong and established relationships with these suppliers and favorable terms.

Handling of the new merchandise will take place in the existing distribution center facility. Some modification and expansion of marking and picking lines will be necessary to accommodate the larger number of SKUs to be processed. Small additions to staff will be made and some additional storage space will be needed. But very few other

changes or investments in processing facilities are projected by ABC's management.

There are no inherent differences with the accounting and information processing requirements of ABC's automotive accessories stores and DIY Shops. Minor modifications to software will provide management separate reports for each chain. A new Class Sales report will be developed to provide further analysis of similar merchandise in DIY Shops.

The concept to be imparted through store design will be that of an upscale, convenient, and well-stocked home-improvement and hobby store. Stores will occupy 8,000 sq. ft. and will be located in the same centers as ABC stores.

To summarize, then, ABC management believes that strong operational similarities exist between its current automotive accessories stores and DIY Shops. These are:

- Strong similarities in buying and merchandising systems
- Ability to use existing merchandise processing facilities
- Few changes to existing Management Information and Accounting systems

These positive operational similarities, when combined with the benefits gained by opening DIY Shops in the strip centers oriented to home improvement, will mean that all of ABC Automotive Parts, Inc. will be strengthened and positioned for the competitive advantage in the years to come. ■

This section was prepared by Gail Krueger-Nicholson from material originally written by Robert Navarino of Touche Ross. For more information, see the following Automotive Marketing stories: "Planning For Growth," August 1988; and "Super Stores," July 1988.